



# Cleveland District Office News

Information for the Small Business Community

June 2007

U.S. Small Business Administration  
Cleveland District Office

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June 2007 Newsletter  
In this issue:

Loan Report Page 1

News for Our Lending Partners Page 2

IRS Newsletter for Small Businesses  
Started Page 3

Matchmaker 2007 a Success Page 4

Steps to Help Your Business Survive a  
Disaster Page 4

For More Information  
SBA Home Page: [www.sba.gov](http://www.sba.gov)

- SBA offices are located in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam.
- For the office nearest you, look under "U.S. Government" in your telephone directory, or call the SBA Answer Desk.
- SBA Answer Desk:  
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## LOAN REPORT as of May 31, 2007



### Total Loan Volume – MAY 2007 (7(a) and 504 Combined)

Bank	Number of Loans	Dollars (In Thousands)
National City Bank	228	\$26,745
Charter One Bank	181	\$7,651
Huntington National Bank	147	\$13,570
JP Morgan Chase Bank	121	\$10,920
U.S. Bank	106	\$6,752

### 504 Loans

Bank	Number of 504s
National City Bank	16
FirstMerit Bank	11
Key Bank	11
Sky Bank	8
Huntington National Bank	7
JP Morgan Chase Bank	7

CDC	Number of Approvals	Dollars (In Thousands)
Growth Capital Corp.	37	\$15,460
Cascade Capital Corp.	17	\$10,535
Mahoning Valley Econ Dev Corp.	9	\$3,666
Northwest Ohio Dev Ass't	8	\$2,342
Stark Dev Board Finance Corp.	7	\$1,754
Lake County SBAC	6	\$1,952
Community Capital Dev Corp.	4	\$4,181
Mentor Economic Ass't Corp.	2	\$575
West Central Partnership	2	\$2,182
Ohio Statewide	1	\$95

## NEWS FOR OUR LENDING PARTNERS

### *I. Introducing E-tran Servicing*

Lenders who are currently processing SBAExpress, Community Express or PLP loans electronically, via an E-Tran solution, are now able to cancel fully undisbursed loans using the E-Tran Servicing module. E-Tran Servicing will also enable E-Tran lenders to view the real-time status of their loan portfolio.

To apply for E-Tran Servicing permissions, lenders can request access via <https://eweb.sba.gov/gls>. After logging in, lenders should double-click the "Access" button, and then scroll down to the *Electronic Lending - Servicing (ETRAN)* folder and select "View" and "Cancel-only." Permissions should be granted within 24 hours.

If lenders have questions, they should contact [stephen.kucharski@sba.gov](mailto:stephen.kucharski@sba.gov); [glenn.hannon@sba.gov](mailto:glenn.hannon@sba.gov); or [bruce.purdy@sba.gov](mailto:bruce.purdy@sba.gov)

Our pilot lenders have provided some very positive feedback on the efficiencies enabled by E-Tran Servicing:

*Eliminate the headaches associated with faxing documents back and forth to the Servicing Center*

*Expedite the process by getting immediate cancellations - this in turn places the funds back into the SBA General Account to be loaned to another applicant and gets our refund of the cancelled loan processed immediately.*

*Streamlines our internal process - one person will be able to handle the cancellation process from start to finish - we currently have one associate complete and fax the Servicing Request and another associate that tracks the activity and pays the servicing fees.*

### *II. Publication of Final Regulations for Liquidation and Debt Collection Activities*

On April 12, 2007 SBA published in the Federal Register final regulations addressing servicing, liquidation and guaranty purchase activities for 7(a) lenders and Certified Development Companies. These regulations were published as proposed rules on November 3, 2005 (70 FR 66800) with an initial comment period that ended on January 6, 2006. The comment period was later reopened and extended to February 24, 2006. A number of comments were received, as indicated in the "comment summary" to the final regulations, and the regulations were revised to address these comments.

The final rule was effective May 14, 2007. Key provisions are:

1. The term "Loan Program Requirements" is defined to make clear what SBA directives 7(a) lenders and CDCs must comply with for their SBA loans. In this regard, see the definition of Loan Program Requirements in section 120.10, and also refer to section 120.180 in which the responsibilities of 7(a) lenders and CDCs for adherence to Loan Program Requirements are explained. Loan Program Requirements in effect when a 7(a) lender or CDC takes an action on a loan govern that specific action. Some provisions of the new regulations apply only to loans approved on or after May 14, 2007 as discussed below.
2. For loans approved on or after May 14, 2007, section 120.520(a) provides that all 7(a) lenders must liquidate business personal property securing a loan prior to requesting SBA to purchase the guaranteed portion of the loan. There is an exception to this requirement if the borrower files for bankruptcy.
3. Section 120.520(b) makes explicit that SBA will not process a guarantee purchase if the lender does not supply adequate documentation.
4. For secondary market loans that SBA purchases, section 120.520(c) requires lenders to submit loan status reports within 15 business days of SBA's purchase of the guaranteed portion. Lenders are also required to submit sufficient documentation to enable SBA to conduct post-purchase reviews. A lender's failure to do so may lead to a recovery action by SBA for the secondary market disbursement. Also, the lender's future participation in the secondary market may be restricted.
5. Section 120.522 limits interest to 120 days on loans approved after May 14, 2007 that are purchased by SBA from the lender. This does not apply to secondary market purchases. *(continued on page three)*

## NEWS FOR OUR LENDING PARTNERS *(continued from page two)*

6. Section 120.536 standardizes across various loan programs the particular servicing/liquidation actions that require prior SBA approval, and reminds 7(a) lenders and CDCs to maintain in their loan files supporting documentation for actions taken in connection with a loan that do not require such approval. This documentation will be crucial to SBA's review of the lender's handling of a loan if it is submitted for guaranty purchase and to SBA's determination as to whether the lender's actions were prudent and commercially reasonable (see section 120.535 for an amplification of these standards).
7. Section 120.540 discusses when liquidation and litigation plans are required to be submitted to SBA. After May 14, 2007, only 7(a) loans made under a lender's authority as a CLP lender and CDCs must submit liquidation plans to SBA prior to initiating liquidation action. However, all 7(a) lenders and CDCs must obtain SBA's prior approval of a litigation plan before proceeding with any Non-Routine Litigation (see definition of Non-Routine Litigation in this section).
8. Section 120.546 addresses loan asset sales of both 7(a) and 504 loans. In this regard, SBA is currently exploring the feasibility of coordinating with the FDIC in conducting periodic loan sales.
  - a. For loans approved on or after May 14, 2007, if SBA purchases the guaranteed portion of a 7(a) loan from the secondary market, the lender is deemed to have consented to the sale of the whole loan (lender and SBA portion) in an asset sale conducted or overseen by SBA. However, the lender may submit a request within 15 business days of SBA's secondary market purchase requesting that the loan not be sold and explaining the reasons for the request. SBA may then decide, in its sole discretion, to delay the sale of the loan pending the completion of certain lender actions or to proceed with the sale of the loan. For loans approved prior to May 14, 2007, SBA must obtain the lender's consent to sell the loans.
  - b. Following the purchase by SBA of a non-secondary market 7(a) loan, SBA will not sell the loan until nine months from the date of the purchase if the lender has not completed its liquidation actions for the loan.
  - c. Subsequent to the purchase of a debenture, SBA may sell a PCLP 504 loan after providing at least 90 days notice to the CDC. For all other 504 loans after SBA's purchase of a debenture, SBA may sell the loan at any time. In neither situation is the CDC's approval needed for the sale.
9. Section 120.975 explains the authority of CDCs to conduct liquidation and debt collection litigation as an Authorized CDC Liquidator, subject to SBA's approval of a liquidation and/or litigation plan for a defaulted loan.
  - a. Under existing regulations, section 120.848(f), PCLP CDCs are required to liquidate and conduct debt collection litigation for loans approved under their PCLP authority. For all other loans in their portfolios, PCLP CDCs are considered to be Authorized CDC Liquidators if notified by SBA that either of two requirements are met for such designation: (1) the CDC has one or more employees with at least two years of acceptable liquidation experience who have completed a suitable liquidation training program, or (2) the CDC has entered into a contract with a qualified third party contractor whose qualifications and contract terms have been approved by SBA.
  - b. All other CDCs may apply to become an Authorized CDC Liquidator if the CDC meets the criteria set forth in subsection (b)(1) and (2). The application process is described in subsection (d).

CDCs may receive compensation for their liquidation activities as explained in Section 120.542(c) of up to 10% of the realized net recovery proceeds from a loan up to a fee of \$25,000, and a lower percentage (not to exceed 5%) of the realized net recovery proceeds above such amount.

- c. Authorized compensation percentages will be published in the Federal Register. If the CDC uses an SBA-approved contractor to handle its liquidations, the contractor may be compensated at these same amounts. In addition, SBA will compensate CDCs for reasonable, customary and necessary out-of-pocket expenses incurred in liquidation activities.♦

*If you have any questions, please feel free to contact our Lender Relations Division at (216) 522-4180.*

## IRS Starts e-Newsletter Just for Small Businesses

The IRS has started a news service, *e-News for Small Business*. Distributed every Wednesday, it brings timely, useful tax information right to your computer.

To start your FREE subscription to e-News, just go to IRS.gov at <http://www.irs.gov/businesses/small/content/0,,id=154826,00.html>, type in your e-mail address and submit.♦

## Matchmaker Event at Jacobs Field

### March 2007

The third annual Cleveland Business Matchmaker event took place on March 20<sup>th</sup> and 21<sup>st</sup> at the Terrace Club located at Jacobs Field. The Matchmaker was presented by the Urban League of Greater Cleveland in cooperation with the Cleveland District Office of the U.S. Small Business Administration and with the support of First Merit Bank, the Cleveland Clinic, and First Energy Inc.

The event brought together small businesses and buying activities for one-on-one meetings, workshops and networking activities. A total of 220 small businesses and 24 buying organizations participated, resulting in over 1400 Matchmaking sessions over the two-day period



The matchmaking format has become popular across the country and the Cleveland event is one of the largest. Matchmaking goes beyond traditional networking, allowing for a 15-minute sales call to occur that pairs small businesses with Federal and large company buyers. The value of such a session is to create an initial contact with buyers in a relaxed atmosphere. Several contract opportunities have been generated during the first three matchmaking events in Cleveland. ♦



## Important Steps to Help Your Business Survive

With hurricane season here, the U.S. Small Business Administration (SBA) encourages business owners to prepare for the possibility of any major disaster. Since Katrina, the SBA has rebuilt its disaster response process to better serve survivors and offers the following disaster preparedness tips:

- Identify what your operation needs to do to protect itself in the face of a natural disaster. Even if you don't own the building where you do business, take steps to protect your assets.
- Determine what production machinery, computers, and other essential equipment is needed to keep your business open. Store extra supplies offsite and make a plan for a temporary location if your company is forced to relocate after the disaster.
- Find escape routes from the business and establish meeting places. Make sure everyone understands the emergency plan before the storm hits. Designate a contact person to communicate with others that are vital to your company's daily operations and identify backup options, such as portable generators.
- Review your insurance coverage to make sure you understand what is not covered. Most policies don't cover flood damage.
- Purchase flood insurance. The National Flood Insurance Program provides coverage to property owners. Go to the NFIPWeb site at [www.floodsmart.gov](http://www.floodsmart.gov).
- Consider business interruption insurance. It covers operating expenses, such as utilities, and compensates you for the income lost after a temporary closure.
- Make backup copies of all tax, accounting, payroll and production records, as well as customer data on computer hard drives. Store the records at an offsite location.
- Protect your property from wind damage, install impact resistant windows and door systems, or plywood shutters. Hire a professional to evaluate your roof to make sure it can weather a major storm.
- Develop a post-disaster communications strategy. Keep current phone numbers for your suppliers, employees, customers, utility companies, local media, and emergency agencies. For long-term recovery the SBA provides various types of loans for businesses of all sizes, homeowners, and renters in the event of a disaster. More preparedness tips for businesses, homeowners, and renters are available on the SBA's Web site at [www.sba.gov](http://www.sba.gov), then click on "disaster preparedness." ♦

## Did you Know?

The U.S. Small Business Administration has rebuilt its disaster response process to better serve affected businesses, homeowners and renters. Disaster preparedness tips are available at [www.sba.gov](http://www.sba.gov), then click on "disaster preparedness." Preparing for the effects of a natural disaster can potentially help businesses weather the storm. ♦